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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, CAIRO

2057
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 4, 1955
DATE

REF : Embtel to Tripoli 84 rptd Dept 1634, April 30, 1955.

For Dept. Use Only	ACTION	DEPT.
	NEA-4	
	REC'D 5/9	INFO OTHER: CIA 7 OSD 4 USIA-10 ARMY-4 NAVY-3 AIR 3 FOA-10

SUBJECT: MUSTAFA BEN HALIM DISCUSSES LIBYAN PROBLEMS.

Following his conversation with me as reported in the reference telegram, Mustafa Ben Halim, the Prime Minister of Libya, gave an interview to Al Ahram which was published on April 30. In the interview Ben Halim referred to reports that America might assist in supplying arms to the Libyan army adding, "We hope to obtain some of these arms from the American Government after the necessary steps in this connection have been completed." Ben Halim then went on to describe three major problems facing Libya: Italian property, evacuation of the French forces from Fezzan, and the drought prevailing in Libya.

With regard to the negotiations on Italian properties, Ben Halim said, The Libyan and Italian sides have decided to meet on the tenth of May, and we greatly hope that these negotiations will not continue for more than a month."

On the subject of the evacuation of the French troops from Fezzan, Ben Halim stated, "The only reason why this matter has not been settled by the French Government has been its concern with a settlement of the problem of Tunisia. Now that the discussions which had been going on on this subject have arrived at a settlement, the study of the subject of evacuation of Fezzan will be taken up immediately after my return. The talks will be based on the principle set forth in the speech from the throne -- complete evacuation of French troops from Fezzan."

The Prime Minister then referred to the drought in Libya. "The Libyan Government has been in touch with the American Government requesting it to assist in counteracting the results of this drought as a means of supplementing the steps which the Government is now undertaking."

As I pointed out in my telegram under reference, Ben Halim, in making clear to me that his position in Libya was "shaky", placed great hopes in military assistance from the United States as a means of bolstering it. I told Ben Halim that I was in no position to assist him in this respect.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY J.M. Razi DATE May 6, 1982
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Henry A. Byroade

Copy to:
Tripoli, Dept, Baghdad

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FOREIGN SERVICE DESPATCH

FROM : American Embassy, Tripoli — 334 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 17, 1955 DATE

REF : Embdesp. 226, Feb. 15, 1955; Embtel 413, Mar. 21, 1955; Embtel 434, Mar. 30, 1955; Dept. Airgram A-57, Apr. 27, 1955 and USFOTO A-342, Apr. 23, 1955.

For Dept. Use Only	ACTION	DEPT.
	NEA	RMR-2 ob-6 E-2 A/Reg-2 S/MSA-1
	REC'D 5/23	INFO OTHER CIA-5 FOA-6 OSD-2 Army-2 Navy-2 Air-2 FRC-2

DEPARTMENT OF STATE A/RDC/IR
REVIEWED BY J.M.Razi DATE May 10 1982

SUBJECT: Further Developments Concerning the Libyan American Reconstruction Commission

JOINT EMBASSY-USOM/L MESSAGE

SUMMARY

PA or FOI EXCEPTIONS

Since the submission of Despatch No. 226 two meetings of LARC and several meetings of the Technical Committee and subcommittees have been held. The results of LARC's second meeting and a subsequent meeting of the Technical Committee have been reported in the referenced telegrams. Further actions by the Technical Committee and subcommittees resulted in a program of development projects based on the amount of funds known to be available to LARC, and this program was approved by the Commission at its third meeting, a two-day session on May third and fourth, with the exception of the allocation for the capitalization of the Agricultural Credit Bank which was reduced by half. The Chairman announced that the LARC law went into effect on April 25, 1955.

* * * * *

The third meeting of the Libyan-American Reconstruction Commission was held on April 3 and 4, 1955. During the two-day session amounts totaling £L3,496,350 ($9,789,780) from the funds that will be available during the Commission's first fiscal year (April 1, 1955 through March 31, 1956) were earmarked for specified development projects and actual allotments were made of £L1,542,450 ($4,318,860) from the earmarked funds for projects that were ready for immediate implementation. The allotment action places the specified amount at the disposal of the Executive Director to be transferred by him to the action agency in such manner and at such times as the needs of the particular project may require. The schedule of earmarked and allotted funds (Enclosure No. 1) shows also the total estimated cost of the projects for which there will be a definite continuing requirement of funds and shows what that requirement will be in future years. It will be noted that if future requirements for the Tripoli power plant are included, the funds required in the years 1956/57, 1957/58, and 1958/59 will exceed the amounts definitely available in those years ($4,009,000 or £L1,428,571 per annum). The Acting Executive Director recommended that other sources of financing be found for the power plant's requirements, which would bring future requirements for the years mentioned above well within the amount of available funds.

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The program shown in Enclosure No. 1 was made up on the basis of definitely available funds only. The agriculture (including forestry and fisheries) and water development projects proposed in the original five-year $65 million program (Enclosure No. 2) will have to depend largely on additional aid if they are to be implemented. An extra £L500,000 ($1,400,000) became available for 1955/56 when the Commission agreed at the third meeting to reduce the LARC allocation for the capitalization of the Agricultural Credit Bank to £L500,000 instead of £L1,000,000, the difference to be made up temporarily by a Libyan Government guarantee. It was agreed that this amount would be recognized as a priority claim on future LARC funds when the time came to redeem the Government guarantee. The £L500,000 thus freed in 1955/56 will be allocated largely if not entirely to agriculture and water development. No final determination has yet been made on the amount to be kept in reserve for contingencies during 1955/56, but, excluding the extra £L500,000, the amount so far unprogramed is £L289,364 ($810,219).

Although £L1,000,000 ($2,800,000) was earmarked for the Tripoli power plant from 1955/56 funds, no funds have been actually allotted and the U. S. members of the Commission are still reserving their position on the use of LARC funds for the plant. The present status of the power plant project was reported to the Department in Tripoli's Despatch No. 308 of May 4, 1955.

Some additional material presented by the Executive Director at the third meeting will be forwarded when it has been reformulated to reflect changes made at the meeting. This material includes the Executive Director's recommendations and comments on specific project proposals, his recommendations on the proper procedure for Commission action in approving and supervising projects, and the final version of the Commission's rules of procedure. The LARC law was signed by the King on April 25, 1955 and went into effect on that date. Copies of the law are not yet available but the Chairman assured the Commission that no major changes from the draft version had been made. The quorum and voting provisions of the rules of procedure were said to have been incorporated into the law.

The GOL proposal, previously reported to the Department, that the U. S. Government be requested to obligate immediately a large portion of the funds that would be required to carry out the original $65 million program has been withdrawn. At a meeting of LARC's Technical Committee subsequent to the second meeting of the Commission, it was found that the proposal was even more ambitious than the U. S. Members of the Commission had understood. Over the five-year period $28 million were already assured; the GOL was assuming, assertedly on the basis of their understanding of the tenor of the 1954 talks in Washington, that the annual increments of additional aid would be not less than $3 million each; thus there remained $21 million to be found in order to make up the $65 million required for the program. It was this $21 million which the GOL proposed to request as an immediate allocation from the U. S. Government, with the funds to be retained in Washington and released when needed during the implementation of the program.

However, the principal GOL representative on the Technical Committee,

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Mr. Pitt-Hardacre, appeared to be convinced by the argument advanced to him that such a request was at least premature when no progress in actual expenditure of the funds already available could be shown, that the request would not receive serious consideration in Washington at this time, and that its presentation might be prejudicial to the allocation of any additional aid. There remains the problem of reducing the forthcoming Libyan request for additional aid for 1955/56 to a reasonable figure. The GOL desires to request at least $3 million, a figure which has behind it the weight of precedent and is moreover the minimum amount previously recommended by the Embassy, USOM/L, and the Bridges report. Valid development projects are available to support a request for a larger sum. In regard to possible future requests, the GOL desires that its $65 million program be presented to Washington, even though it has for the present given up the idea of requesting a definite commitment. The U. S. members have not, of course, encouraged the GOL to believe that the U. S. Government will underwrite such a program, but on the other hand have not felt that they should flatly refuse to consider it.

If the GOL comes to believe that additional aid will not be forthcoming in substantial amounts, it is likely to seek another source of funds for its development needs. In such a case even the presently known additional requirements of the USAF in Libya, not considering the possibility of an important degree of expansion in Cyrenaica, would afford the GOL some basis for a claim for an additional quid-pro-quo. It is probable that these USAF requirements can be satisfied without a quid-pro-quo if the GOL continues to believe that a substantial portion of its development needs will be met by additional aid under the "sympathetic interest" clause of the September 9 agreement. It is possible that even a large expansion in Cyrenaica could be negotiated in such an atmosphere without additional claims. Moreover, it is highly improbable that the GOL really expects to get the whole $65 million, and its experience with the expenditure of the first year's funds will probably prove the wisdom and, in fact, the necessity of proceeding more slowly and carefully than this program envisages.

For the Ambassador:

David G. Nes
First Secretary of Embassy

Enclosures: 2

1. Schedule of funds.
2. Five-year program.

cc: Benghazi

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